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Prepared at request of [redacted] Office
for use in connection with ORR's Budget Presentation
POLICY USES OF ORR INTELLIGENCE PRODUCTS

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1. Soviet Ground Forcesa. Intelligence ProductsCIA/DIA Special Study of the Soviet Ground Forceb. Findings

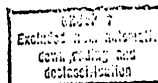
In 1963, Secretary McNamara expressed serious concern about the effects on US and NATO policy of estimates that appeared to overstate the capabilities of the Soviet ground force. He asked for a new and thorough study of the problem by CIA and DIA, to which Mr. McCone agreed. ORR has provided a co-chairman of the Panel and the bulk of the intelligence analysis. The Panel -- whose final work has just been completed -- prepared two reports: one re-evaluated the number of major line elements in the Soviet ground force and the military manpower available for that force; the other reported on the Soviet production and inventory of land armaments. These reports set for the first time meaningful confidence limits for estimates of the size, readiness and level of equipment in the Soviet ground force. Each of the reports, based on exhaustive research and analysis, was drafted and published by ORR with DIA concurrence.

c. Policy Uses

Secretary McNamara expressed his pleasure at the progress made through the Panel's work and stated his belief that a much sounder

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by [redacted]
and others

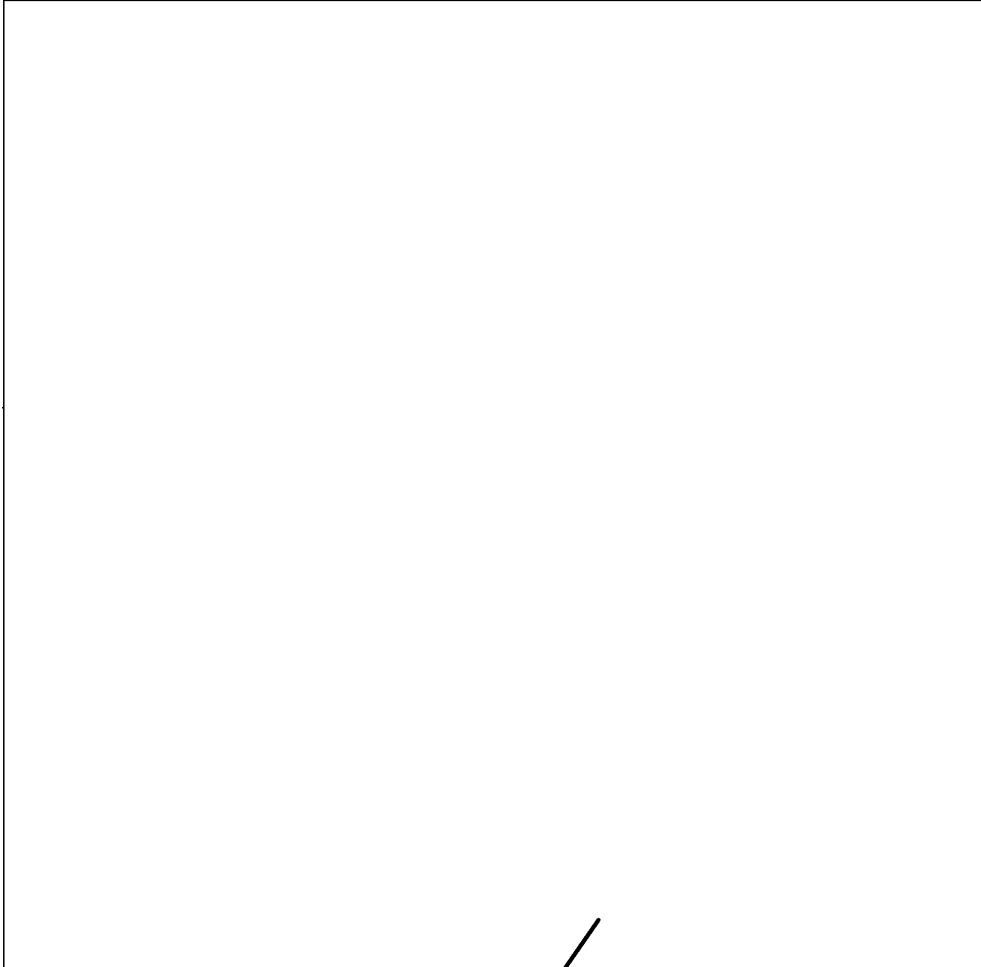
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basis for US planning and planning within NATO now exists. The Panel's findings are also reflected in current National Intelligence Estimates, in the annual policy recommendations of the Secretary of Defense to the President and in the current comprehensive annual review of Soviet capabilities compiled for planning purposes by NATO.

2. Soviet Ballistic Missile Production Facilities



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3. The Cost of Soviet Military Programs

a. Intelligence Products

Contributions to National Intelligence Projections for Planning - 1966 (NIPP-66), and CIA/DIA Joint Analysis Group (JAG) Alternative Projections of Soviet Military Forces (1965-1975).

b. Findings

These two documents each have several volumes which contain detailed projections of alternative Soviet weapons programs, force, characteristics and costs. They form the basic intelligence guidance used throughout the government in assessing the military threats against which US and allied forces should be planned and programmed. Their importance in the planning process is increasing with the use of systems analysis and in view of the long lead times which now affect many military programs. These planning documents, prepared at the request of Secretary McNamara and his staff, thus have a major and direct role in the formulation of US policy in the military fields.

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c. Policy Uses

ORR military costing specialists, working with computer programs, prepare the detailed costing studies which are issued as individual volumes of these two basic documents. The results of this work are found in the estimates of Soviet costs contained in Secretary McNamara's annual Memoranda to the President on DOD Five-Year Program projections, and in subsequent congressional briefings. In the Arms Control field they are used to gauge the relative attractiveness to the Soviets of alternative disarmament proposals and also to guide the US position with respect to perennial proposals on the part of the Soviets to reduce military spending. The use of these costing studies is less direct at State and the National Space Agency, but we are regularly made aware of interest in the results on the part of Mr. Rostow and of Mr. Webb's policy planning staff.

4. US Trade Policy Toward the USSR and Eastern Europe

a. Intelligence Products

Deputy Director, ORR, Briefing, The Strategic Importance of Western Trade to the Soviet Bloc, 4 March 1965, CONFIDENTIAL.

Deputy Director, ORR, Briefing, Prospects and Implications for Soviet Bloc Trade with the Industrial West

Various ORR Background Memoranda and Briefings on Bloc trade Policies, Practices, Balance of Payments and Technological Gains from Selected Imports, March 1965.

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b. Findings

In the briefings and memoranda listed above it was pointed out that Western trade is relatively insignificant in total Soviet and East European economic activity, and that the role of the US in East-West trade is negligible. The USSR and Eastern Europe view the West as an important source of advanced technology for accelerating their economic growth, and have blamed restrictive Western trade policies for the failure of East-West trade to expand as rapidly as they had hoped. The major obstacle to the expansion of this trade, however, is not Western restrictions, but the chronic failure of the USSR and Eastern Europe to develop a rapidly expanding export capability to the West.

While the Western share of both Soviet and East European trade is expected to remain about the same, regardless of Western trade policy, the removal of US restrictions might raise significantly the US share in total East-West trade.

c. Policy Uses

The Briefings and Memoranda were presented in March 1965 to the Miller Committee, a special committee of distinguished private citizens convened by the President to review US trade policy toward Eastern Europe and the USSR, and to make recommendations for future policy. The Committee's report to the President, dated 29 April 1965, reflected the intelligence assessments, both on the importance of East-West trade to the participants, and on the likely future course

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of this trade. The Committee recommended a selective expansion of US-Communist trade in non-strategic items, and urged that greater use be made of trade concessions as an instrument of US policy. This report has recently been accepted by the President as the basis for a proposed modification of US trade policy toward Eastern Europe and the USSR. A memorandum to holders of NSAM Nos. 329 and 333 was circulated by McGeorge Bundy on 27 July 1965 calling for follow up with Congress along lines of the Miller report.

5. The USSR's International Payments Crisis

a. Intelligence Products

CIA/RR EM 63-39, The Soviet Need for Credits, December 1963, SECRET.

CIA/RR ER 64-6, The Estimated Effects of Various Possible Levels of Western Credits to the USSR, January 1964, CONFIDENTIAL.

Briefing Materials for the DCI, The Soviet Economy, 6 January 1964, SECRET.

b. Findings

The Soviet payments crisis of late 1963 was the culmination of a series of annual hard currency deficits incurred by the USSR from 1959 on. It was precipitated by the disastrous Soviet harvest in 1963, which forced the USSR to draw down its gold reserve to a new low in order to pay for imports of Western wheat, totalling \$800 million in 1963-64. The chronic Soviet deficit, which was caused by the USSR's failure to generate enough exports to pay for its

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rapidly growing imports of Western equipment, was financed by sales of gold and by drawing on the medium-term credits available in the West. ORR estimates indicated, however, that the Soviet gold reserve had been reduced to around \$2.2 billion by the end of 1962, and to \$1.5 billion at the end of 1964 after payment for the grain imports. Furthermore, drawings against medium-term credits were being largely offset by the growing volume of re-payments.

Our conclusion was that the USSR faced important internal adjustments and a decline in its ability to import Western capital equipment, which would be eased significantly if Western countries came to its rescue with substantial long-term credits.

c. Policy Uses

Through the reports listed above, as well as a series of direct briefings, the DCI, Under Secretary of State, Ball, the White House Staff (the requestor of ER 64-6), and various congressional committees were informed of the intelligence assessment of the USSR's hard currency crisis, and of the urgent need of the Soviets for long term credits. In January 1964, the Administration instructed the DCI to convey this assessment to government leaders in Western Europe, and to urge that the West unite in denying long-term credit facilities to the Soviets, at least until the possibility of exacting an equitable quid pro quo could be explored. During 1964 Under Secretary Ball and other State Department officials made similar representations to the NATO.

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These reports and related materials were also drawn on by the CA Staff, DD/P, and by USIA for use in propaganda programs abroad.

6. The Effects of Economic Interdiction Against North Vietnam

a. Intelligence Products

CIA/RR ER 65-5, Foreign Influence on the North Vietnamese Economy, April 1965, SECRET/[REDACTED].

Memorandum (S-1496), Ability of North Vietnam to Shift Current Seaborne Trade to Rail Transport, 13 April 1965, SECRET/[REDACTED]

CIA/RR CB 65-20, Merchant Shipping to North Vietnam in 1964, March 1965, SECRET/[REDACTED]

Memorandum (S-1491), Pattern of North Vietnam's Seaborne Foreign Trade with Free World Countries, 1964, April 1965, SECRET/[REDACTED]

Memorandum (S-1555), The Economic Impact of Possible Interdiction Measures Against North Vietnam, 29 June 1965, SECRET/[REDACTED]

b. Findings

The ORR studies indicated that the economy of North Vietnam is not vulnerable to measures taken solely against Free World shipping to North Vietnam. Even if measures were expanded to deny all sea and rail access to North Vietnam, the economic impact would be rather limited. North Vietnam is basically a subsistence, agrarian economy.

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It could withstand a severe disruption of its small modern industry sector and still maintain its military activities in South Vietnam. We found, moreover, that while combined sea and rail interdiction would have the greatest impact, simultaneous interdiction of the three major rail lines would produce results of almost equal magnitude. Rail interdiction would also avoid accelerated escalation and the many political and diplomatic problems associated with sea interdiction.

c. Policy Uses

The studies listed above were undertaken at the request of the Chairman of the Subcommittee on Free World Trade and Shipping with North Vietnam. This Subcommittee was created in March 1965, by Ambassador Leonard Unger, Chairman of the Interdepartmental Vietnam Coordinating Committee, to study all possible economic interdiction measures against North Vietnam.

As a result of these studies and the Subcommittee findings, the Secretary of State accepted the recommendation of Ambassador Unger that the US should not impose a naval quarantine against Free World shipping to North Vietnam because it would fail to damage North Vietnam and would create severe diplomatic problems with several friendly countries. Secretary Rusk resorted, therefore, to bilateral and unpublicized discussions with the countries involved.

Having considered the alternatives for inflicting damage on the North Vietnamese economy (i.e., through attack against rail lines,

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mining of harbors, or blockade) Ambassador Unger and Assistant Secretary Bundy apparently endorsed our views regarding the relative advantages of attacking rail lines.

7. Origin and Mix of Viet Cong Weapons

a. Intelligence Reports and Findings

[redacted] weapons captured from the Viet Cong were identified to be Chinese Communist manufacture and established as produced in the year 1962, 1963 and 1964. A new family of 7.62 mm weapons using the same ammunition was identified to be comprised of the semi-automatic carbine, the light machine gun, and the assault rifle.

b. Policy Uses

This information was used directly in the Department of State "White Paper": AGGRESSION FROM THE NORTH, released February 1965, and in a public statement on this subject by Secretary of Defense, Robert McNamara. It was of considerable importance in publicly dramatizing the Chinese Communist role in providing military support to the Viet Cong.

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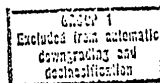
National Intelligence Estimates on Economic and
Military-Economic Topics

A large part of ORR's analytical effort supports regular and special national estimates in the military and military-economic, and economic fields.

The military effort is devoted to the analysis of foreign military and space capabilities and their associated costs. Geographically, emphasis is placed upon the offensive and defensive capabilities of the USSR and to a growing extent upon those of Communist China. A lesser effort is devoted to the European Satellites and to the analysis of Free World countries which are developing a nuclear weapons delivery capability. Substantive priority is given to the analysis of the threat to the continental US, to its allies and forces abroad, and to the capability of countering the US strategic attack capability.

In the economic field, ORR analyzes the capabilities, priorities, rates of growth, and stability of the USSR, Eastern Europe and Asian Communist countries, and on selected Free World nations as well. Each area presents its problems of peculiar interest. In the USSR, we are especially concerned with its attempt (faltering badly at the moment) to catch up with the US economy, with recurring grain shortages, and with the burden of defense on the economy. The work on Eastern Europe focuses especially on consumer satisfaction or lack of it, on the stability of the economies, and on the groping efforts of the various regimes to reform, liberalize and/or reduce their dependence on the

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USSR. China challenges our research with its awful malthusian problem, the problem of nuclear progress, and prospects for resumption of industrial development. In dealing with Free World areas we supplement and test the contributions of the Department of State, confining our efforts to countries and situations of greatest importance to US security.

NIE 11-8-65, Soviet Capabilities for Strategic Attack, now in process, illustrates the role ORR plays in the formulation of national estimates in the military field which in final form represent the coordinated views of the intelligence community. ORR published a detailed contribution which was forwarded to ONE for consolidation with other contributions into a draft for consideration by the representatives of the members of USIB as part of the process of reaching an agreed draft for USIB consideration. The ORR contribution was the product of basic research and analysis of the strategic threat posed by the Soviet capability to produce and deploy strategic offensive weapons systems such as intercontinental and intermediate range ballistic missiles, long range bombers and missile submarines. ORR continues to participate in the estimating process through support to ONE and by attending meetings held by USIB representatives to discuss proposed drafts of the estimate.

ORR has a direct influence on the whole range of foreign military estimates through similar contributions made to estimates on defensive weapons systems, space, general purpose forces and special subjects.

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The estimates of military capabilities of Communist countries provide the policy makers with an understanding of the potential enemy threat -- present and projected -- which must be countered by the implementation of US policy decisions. The analysis of Free World military capabilities provides the policy maker with an understanding of the influence allies or neutrals might have in hindering or implementing US policy decisions.

The story of the Soviet economic slowdown and its causes, as told in the National Estimates and in ORR reports, has been one of the most significant of intelligence findings of recent years and one of the most heartening. The conclusion that Soviet economic troubles are deeply rooted in the system and hence not subject to quick and easy solution has been widely disseminated to policy levels and is influential at many levels of dealings with our opponents, our allies, and neutral nations.

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31 August 1965

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